



April 22, 2005

BY HAND-DELIVERY

Ms. Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, MA 02110

Re: D.T.E. 99-60 - Fitchburg Gas and Electric Light Company d/b/a Unitil, Default Service Tariff Filing M.D.T.E. No. 121 for June 1, 2005

D.T.E. 03-88A-F - Fitchburg Gas and Electric Light Company d/b/a Unitil, Base Rate Reduction Tariff Filing M.D.T.E. No. 122 for June 1, 2005

Letter of Explanation

Dear Ms. Cottrell:

Today, Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") submitted its Default Service tariff rate filing, M.D.T.E. No. 121. This tariff is proposed to become effective on June 1, 2005. The tariff is based upon the results of Unitil's Request for Proposals ("RFP") for Default Service, which is being filed with the Department today under separate cover. In addition, Unitil submitted Tariff Sheet No. 122 to implement Unitil's Base Rate Reduction of \$0.00013 per kWh approved in D.T.E. 03-88A-F, also proposed to be effective June 1, 2005.

Enclosed with this letter is a check in the amount of \$200.00 for the required filing fees.

As discussed in more detail in the RFP filing, Unitil sought fixed monthly pricing for 100 percent of its load requirements for its large customer group for the three month period beginning June 1, 2005. In addition, Unitil sought fixed monthly pricing for its small customer group and its medium customer group for 50 percent of their respective load requirements for the twelve month period beginning June 1, 2005.

Unitil continues to plan to purchase Renewable Energy Certificates ("RECs") as a separate product from the market for this Default Service period, as it has in prior periods. For purposes of this filing, and based upon

Gary Epler
Senior Attorney

6 Liberty Lane West
Hampton, NH 03842-1720

Phone: 603-773-6440
Fax: 603-773-6640
Email: epler@unitil.com

its analysis of the current REC market, Unitil has estimated the stand-alone price of RECs that would comply with the Renewable Energy Portfolio Standards ("RPS") to be \$51.50 per MWh.¹ This rate equates to \$0.00103 per kWh for 2005 when the Renewable Energy Portfolio Standard is 2.0 percent of load. This provides for compliance with 225 CMR 14.00. Unitil has included the estimates above in its proposed Default Service rates.

Due to the continued uncertainty concerning the final rules for the locational capacity (LICAP) market, Unitil solicited and entertained bids both including capacity costs and excluding capacity costs during the period January 2006 through May 2006. Discussion of Unitil's treatment of this issue is provided in the RFP filing.

Unitil has used the same methodology applied to the winning bids for calculating retail rates as was used in its Default Service rate filing made with the Department on October 22, 2004 and approved on October 29, 2004 with the exception that the medium customer group is now treated similar to the small customer group for purposes of calculating rates for the six month rate period. The proposed rates are summarized in Attachment 1, Page 1. As shown, the Variable Monthly Pricing Option charges differ by class and by month. The Fixed Pricing Option charges vary by class. Attachment 1, page 2 demonstrates the calculation of both the variable and fixed charges. The fixed charges are equal to the retail variable charges weighted by monthly kWh sales percentages based on a forecast of monthly kWh sales.

Attachment 1, page 2, shows the kWh sales forecast at the bottom of the page. The percentages shown on lines 10-13 are the ratios of the monthly amounts to the totals for the period June - November 2005 for the small and medium customer groups and for June - August for the large customer group. Consistent with prior filings, Unitil has continued to assume equal monthly usage as representative of expected usage patterns for the large general service class due to limited participation under Default Service in that class. Line 5 of Attachment 1, page 2 now shows the Default Service Cost Adder of \$0.00104 per kWh approved in D.T.E. 03-88A-F. This adder is at retail and is applied to the sum of the wholesale prices and REC's after they are adjusted for distribution losses.

Tariff Sheet M.D.T.E. No. 122 implements the Base Rate Reduction of \$0.00013 per kWh approved in D.T.E. 03-88A-F.

The combination of these proposed rate changes represent an increase to a 500 kWh typical residential customer on the Fixed Pricing Option of \$0.60 per month, or a 0.8 percent increase versus rates currently in effect (see Attachment 2, page 1 of 18). The current rate under the Fixed Pricing

¹ As required by the Department's Order on Default Services in D.T.E. 02-40-B, issued on April 24, 2003, please see the RFP filing for a further discussion of Unitil's RPS compliance strategy.

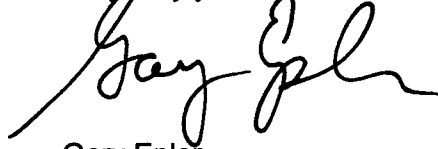
Option is \$0.07409 per kWh for residential customers. The proposed rate, based on the RFP for the period June 2005 through November 2005, is \$0.07543 per kWh. Bills to regular general service customers will increase from approximately 5.5% to 8.1% depending on usage and rate class. Bills to large general service customers will increase from approximately 11.2% to 13.4% depending on usage patterns. A complete set of bill impacts is attached as Attachment 2, pages 1 through 18.

Unitil will continue to notify customers of the changes in the default service rates in compliance with the Order in D.T.E. 99-60-C using notices developed in conjunction with the default service education working group and the Department's Consumer Division. Unitil will also post its approved rates on its website and make them available via a toll free number at least 30 days in advance of June 1, 2005.

Pursuant to the Motion for Protective Treatment filed today under separate cover, Unitil seeks to protect from public disclosure the wholesale prices bid in response to its RFP. Accordingly, Unitil is filing the confidential original and one copy of the tariff sheets which contain the unredacted version of Attachment 1 with your office. Copies of the filing contain redacted versions of Attachment 1, which do not disclose the wholesale prices, have been provided to all other recipients unless otherwise noted.²

Please contact me should you have any questions concerning this matter.

Very truly yours,



Gary Epler
Senior Attorney

cc: Jeanne Voveris, Esquire, Hearing Officer
Ronald LeComte, Director, Electric Power Division
Kevin Brannelly, Director, Rates and Revenue Requirements
Barry Perlmutter, Electric Power Division
Alexander Cochis, Asst. Attorney General (2 confidential copies)
Robert Sydney, General Counsel, Division of Energy Resources (1 confidential copy)
David McKeehan, President, No. Central Mass. Chamber of Commerce
D.T.E. 99-60 Service List

² Unitil is also providing complete copies of the filing containing the confidential information to the Attorney General (two copies) and the Division of Energy Resources (one copy), with whom Unitil has entered into Nondisclosure Agreements for this proceeding.